

Honolulu, Hawaii

March 10, 2014

RE: H.B. No. 1700

H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 1700 entitled:

"A BILL FOR AN ACT RELATING TO THE STATE BUDGET,"

begs leave to report as follows:

The purpose of this measure is to appropriate supplemental funds for the operating and capital improvement costs for the Executive Branch for fiscal year (FY) July 1, 2014, through June 30, 2015.

In total, this budget appropriates \$6,253,713,052 in general funds and \$12,148,944,589 in all means of financing for FY 2014-2015.

The Office of the Governor; Office of the Lieutenant Governor; Hawaii Paroling Authority; Department of Accounting and General Services; Department of Human Resources Development; Department of Taxation; Department of the Attorney General; State of Hawaii Department of Defense; Department of Land and Natural Resources; Department of Education; Hawaii State Public Library System; University of Hawaii; Department of Agriculture; Department of Public Safety; Department of Transportation; Department of Health; Department of Human Services; Executive Office on Early Learning; Office of Youth Services; Department of Hawaiian Homelands; Agribusiness Development Corporation; Hawaii Housing Finance and Development Corporation; Hawaii County Game Management Advisory Commission; County of Kauai Office of the

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Prosecuting Attorney; County of Hawaii Office of the Prosecuting Attorney; Chamber of Commerce Hawaii; Kauai Chamber of Commerce; Energy Excelerator; Waikiki Health-Youth Outreach; Three Mountain Alliance; Ben Dyre Family Limited Partnership; Haleakala Ranch; National Wild Turkey Federation; Laupahoehoe Nui, LLC; Hawaii State Bar Association, Hawaii County -- Senior Counsel Division; Hawaii Self Advocacy Advisory Council; Lihue Land Company; Kauai Watershed Alliance; Dole Food Company Hawaii; U.S. Army Garrison-Hawaii Directorate of Public Works; A&B Properties, Inc.; CyberCom, Inc; Surety Kohala Corporation; Hiipaka LLC - Waimea Valley; Bernice Pauahi Bishop Museum; Hawaii Operating Engineers Industry Stabilization Fund; and numerous individuals testified in support of this measure. The Office of Community Services; State Council of Developmental Disabilities; High Technology Development Corporation; Hawaii Strategic Development Corporation; Office of Planning; State Public Charter School Commission; Department of Budget and Finance; Hawaii Public Housing Authority; Public Utilities Commission; Department of Business, Economic Development and Tourism; Department of Commerce and Consumer Affairs; Hawaii State Commission on the Status of Women; Hawaii Invasive Species Council; Hawaii Health Systems Corporation; Hawaii Tourism Authority; Early Learning Advisory Board; the Healthcare Transformation Coordinator; County of Hawaii Office of Housing and Community Development; the Hawaii County Council Member representing District 3; Nature Conservancy; Sex Abuse Treatment Center; YWCA of Kauai; Child & Family Service; Hawaii Laborers-Employers Cooperation and Education Trust; BoxJelly; Masons Union, Locals #1, IUBAC & #630, OP & CMIA, AFL-CIO; Renewable Ocean Energy, Inc.; Partners in Care; Creative Lab; Enterprise Honolulu; General Contractors Association of Hawaii; Dev League; Imua Design Group LLC; Entrepreneurs Foundation of Hawaii; Ohana Investment Works LLC; Technical Research Associates, Inc.; Ikayzo, Inc.; Spectrum Photonics, Inc.; Makai Ocean Engineering, Inc.; Tapiki LLC; Keahole Point Association; Terasys Technologies; Ikehu, Inc.; Upspring Media, LLC; Hawaii Food Manufacturers Association; 3D Innovations; Orientech; Startup Weekend Hawaii; Enerdigm Ventures; Hawaii Innovation Alliance; Diocese of Honolulu; Hawaii Tech Works; Catholic Charities Hawaii; Hawaii Consortium for Medicine and Health; Hawaii Student Entrepreneurs; Nalukai; Na Pua Noeau; Oceanit Laboratories, Inc.; Hawaii Evolutionary Development; Hawaii Appleseed Center for Law and Economic Justice; Cyanotech Corporation; isisHawaii; Labels That Talk, Ltd.; Advanced Training Solutions; Hawaii Fish Company Inc.; Hui for Excellence in Education; Hyperspective Studios, Inc.; Susannah Wesley Community Center; Hawaii Green Growth; League of Women Voters; Laborers' International Union of North America Local 368; mBloom Ventures



LLC; Kamehameha Schools; Hawaii Open Data; Hawaii Construction Alliance; Hawaii Association for the Education of Young Children; KCAA Preschools of Hawaii; Hawaii Public Charter Schools Network; Maui High School Band; PHOCUSED; Hawaii Medical Association; and numerous individuals provided comments on this measure.

STRUCTURAL STABILITY - BUILDING A SOLID FOUNDATION

As stewards of the taxpayers' money, your Committee has an obligation to both spend wisely on today's needs and to ensure that we have enough to be prepared for the challenges of the future. FY 2012-2013 ended with a carryover balance of \$844,000,000. This was a cumulative result of four years of austere budgets, revenue changes, furloughs, and layoffs. Sacrifices were made by everyone—families, businesses, and government.

A year ago, the Legislature and Administration took advantage of the beginnings of a fiscal turnaround, and chose to address structural issues in the financial plan by:

- Tackling an enormous unfunded liability facing the State and dedicating enough money in the biennium and financial plan to ensure 100 percent funding of the actuarially required contribution for the State's Other Post-Employment Benefits obligation within 5 years; and
- Committing to budget reserves of at least \$200,000,000 by the end of FY 2013-2014, growing to over \$270,000,000 by the end of FY 2014-2015.

Your Committee recognizes that the collective effort of many created the current unprecedented surplus. As a result, the State finds itself in a unique position to:

- Continue the work done a year ago in the biennium budget to provide stability to the State's overall financial outlook;
- Strengthen core programs;
- Increase transparency in how taxpayer money is spent; and
- Plan strategically for the long term in the supplemental budget.

In 2007, the State enjoyed a \$780,000,000 surplus, which was used to provide tax relief, tax credits, and funding for various programs. Starting in October 2008, the economy went into a steep recession, now referred to as the Great Recession, and the



Legislature needed to address a \$2,100,000,000 deficit over three years. Between 2009 and 2012, large deficits continued to develop in the financial plan as actual revenues failed to meet revenue projections. During this time, the State relied on tax and fee increases, significant cuts in government programs, and furloughs to balance the budget.

Utilizing the experiences of the past, your Committee finds that signs of slow growth are appearing throughout the economy:

- The Department of Business, Economic Development and Tourism lowered their forecast for economic growth in Hawaii for this year and next due to smaller-than-expected gains in visitor arrivals;
- The Hawaii Tourism Authority recently noted that visitor expenditures in our economy are down by 4.7 percent compared to last year, with visitors to Hawaii spending on average, \$10 less per day;
- Seven months into FY 2013-2014, cumulative general fund tax collections are \$37,500,000 below the same period a year ago; and
- General excise taxes, responsible for more than 50 percent of the state's annual tax revenues, appear to be flat when compared to last year.

Your Committee finds that a significant contributing factor to the current \$844,000,000 surplus is the 9.9 percent rate of revenue growth actually realized by the state in FY 2012-2013. Such rates of growth are unsustainable and unlikely to continue. In fact, economists have consistently predicted much more moderate rates of growth in the coming years.

The University of Hawaii Economic Research Organization and the Department of Business, Economic Development and Tourism acknowledge that Hawaii's economy will continue to grow on a moderate path due to the following factors:

- Tourism growth is limited due to capacity issues;
- The construction industry will need to be a main driver, but uncertainty exists; and
- Employment gains will strengthen as Hawaii's unemployment rate will be better than the national average, and personal income will grow at the national rate.



Considering all these factors, your Committee is cognizant that the current 3.3 percent rate of growth projected by the Council on Revenues may be too high, and has constructed a conservative budget.

The Administration proposed adding approximately \$183,000,000 in general funds to the operating budget and \$287,000,000 in general funds to the capital improvements program (CIP) budget. The budget recommended by your Committee shaves approximately \$53,000,000 in general funds from the operating budget and \$127,000,000 in general funds from the CIP budget proposed by the Administration.

Your Committee tasked itself with assuring that government and the services on which people rely are consistent and sustainable for the long term, and can withstand the cyclical nature of the economy. A sound and far-sighted financial plan and budget will allow the State to operate confidently and plan strategically for the future.

TRANSPARENCY IN BUDGETING

Due to massive budget cuts and various cost-saving restrictions imposed in recent years, budgets have become disconnected from actual needs. Agencies have had to become "creative" in implementing their budgets.

A significant cause of this disconnect is the way in which vacancies and vacation payouts are currently managed by agencies. Rather than solely examining the age of vacancies, agencies were challenged to identify the unbudgeted expenses that cause shortages. As a result, your Committee has begun to identify various discrepancies in funding needs, including:

- Positions which need to be re-described;
- Vacation payout and overtime liabilities;
- Vehicle and equipment turnover issues; and
- Other current expense (utility, repair and maintenance, supply, travel, etc.) shortages.

Vacation payout, the value of accrued vacation earned at the time of retirement, represents a large expense for the State. In FY 2012-2013, the State incurred in excess of \$17,800,000 from vacation payout by all means of financing. These funds are unbudgeted, forcing departments to "find" money from within their



appropriation to absorb the costs. Traditionally, departments absorb these costs by holding positions vacant, delaying the hire of additional positions, or transferring funds from other current expenses to cover the vacation payout.

This is not a sound and transparent budgeting process. Instead, your Committee wants to stress that positions allotted by the Legislature should be utilized for staffing. They should not be used for overtime, vacation payout, or equipment. This method misrepresents the true budget picture and may result in a loss of confidence in how government provides its services.

As the dialogue develops, your Committee hopes to shift focus from defending individual positions to identifying why positions are vacant and to assist agencies in developing solutions to fill mission-critical positions. Solutions may involve updating positions to more appropriately reflect current responsibilities, providing additional funding, or abolishing positions no longer deemed essential.

Your Committee acknowledges the Department of Labor and Industrial Relations, Department of Agriculture, Department of Defense, and the Department of the Attorney General for communicating openly and engaging in this process to bring greater predictability, stability, and transparency to their budgets. The changes proposed thus far are a first step, and each solution is unique to the relevant agency and its needs. Your Committee is encouraged by the lines of communication that have opened to accomplish these tasks, and intends to continue engaging in this dialogue with the rest of the state government.

DEPARTMENT HIGHLIGHTS

Department of Agriculture

Hawaii's largest consumer of state agricultural water, the Molokai irrigation system, will receive \$265,000 in revolving funds for much-needed equipment to maintain this system. The Molokai irrigation system has been financially neglected for many years and has been subject to audit. This new equipment will ensure that the system is effectively operated and maintained.

The Agribusiness Development Corporation has been granted an increase of \$410,000 in the revolving fund ceiling in anticipation of increased expenditures for routine repair and maintenance on new land, infrastructure, and facilities. This will facilitate



restoration and revitalization of agricultural lands, including the newly acquired Galbraith lands.

The Rabies Quarantine program is not sustainable under its current special fund structure. Your Committee has converted the entire program to general funds, thereby eliminating the need for the Department to assess increases in fees or rent out its properties to gain rental income in the future to support its programs.

Department of Accounting and General Services

Your Committee supports the Department of Accounting and General Services in its efforts to enhance mission-critical operations. Accordingly, your Committee has provided \$366,846 in general funds to accommodate a more than 30 percent increase in energy and sewer costs incurred by the Maui and Hawaii districts and \$174,142 in general funds and three positions to support school repairs and maintenance on neighbor island districts.

Your Committee has also provided general funds for the following purposes:

- \$102,624 and two positions to support ballot operations;
- \$346,668 additional funds to support an online voter registration system, pursuant to section 11-15.3, HRS; and
- \$1,000,000 to fund a Sports Development Initiative to promote, market, and develop athletic events across the State of Hawaii, with a particular emphasis on professional events at the Aloha Stadium.

Department of the Attorney General

For the past several years, certain critical positions in the Department of the Attorney General were unfunded so the Department begins each fiscal year with a deficit and holds positions vacant to accumulate vacancy savings. Your Committee seeks to remedy this predicament by allocating \$3,275,000 in general funds to fully fund all critical positions in the Department and removing unnecessary positions. It is greatly appreciated that the Department is willing to work with your Committee in order to make its budget more transparent and accurately represent its expenditures. In exchange, your Committee has recommended to abolish 21 positions and funds, resulting in a \$961,703 savings.



The Child Support Enforcement Agency is in the process of implementing a new case management system that will allow the agency to better serve its clients. To support the agency during this transition, your Committee has removed positions that are no longer needed and has allocated 28 positions and \$429,001 in general funds and \$1,266,895 in federal funds.

Department of Business, Economic Development and Tourism

With the passage of the Hawaii Clean Energy Initiative, the State of Hawaii has established an ambitious goal of achieving 70 percent clean energy by the year 2030. The Department of Business, Economic Development and Tourism has established several key initiatives that seek to expedite clean energy development. Your Committee recognizes the need to aggressively pursue renewable and efficient energy alternatives but remains aware of the risk of such endeavors. Therefore, non-recurring funds have been appropriated for these initiatives to ensure that money is not continuously appropriated to ineffective programs.

A one-time appropriation of \$500,000 in special funds has been made to the Energy Excelsior, an energy-focused economic development program that assists developing companies in formulating successful business strategies and attracting investment from state, federal and private institutions. The program has received a \$30,000,000 award from the United States Navy. Additionally, the companies involved in the program have garnered investments totaling \$55,900,000 and created over 400 jobs.

An additional one-time appropriation of \$475,000 in special funds is to support the development of the Oahu-Maui Grid-Tie Project. The funds will be used to contract with a consultant to analyze the submitted requests for proposals using unique simulations that account for a multitude of variables, including power generation, demand forecasts, and operating costs; thus ensuring that the optimal request for proposal is selected.

Establishing strong foreign ties is vital to attract foreign intellect, investment, and spending to Hawaii. Your Committee has approved \$1,094,000 in general funds to support the Department's plan to build connections with Chinese and Taiwanese educational institutions.

Department of Commerce and Consumer Affairs



The Department of Commerce and Consumer Affairs protects consumers by providing fair oversight and regulation to Hawaii's businesses, utility companies, and financial and insurance institutions.

As new federal mandates concerning health care take effect, the Department identified the need to bolster its existing resources and personnel in anticipation of a 60 percent increase in health plan rate filings. Your Committee recognizes the need to have sufficient resources to comply with federal mandates and therefore approved 6 positions and \$481,124 in special funds to analyze and verify that new rate filings comply with Patient Protection and Affordable Care Act regulations.

New federal regulations require Hawaii's post-secondary education institutions to be authorized and reviewed by a state entity by July 1, 2014. The Hawaii Post-Secondary Education Authorization Program, which conducts reviews of schools, does not have sufficient staff to support the anticipated number of schools in need of review. Without authorization by the State, 63,000 students will be ineligible for up to \$283,000,000 in Title IV disbursements, including student loans. Your Committee recognizes the need to make higher education in Hawaii accessible to all students and has approved two positions, \$117,883 in general funds, and \$128,832 in special funds to ensure that Hawaii's post-secondary education institutions are able to be authorized and certified.

Department of Defense

Your Committee fully supports the Department of Defense in its mission to ensure the safety, welfare, and defense of the people of Hawaii. Accordingly, to accommodate rising electricity and utility costs, your Committee has provided \$588,246 in general funds and \$1,764,739 in federal funds to support the Hawaii Air National Guard facility at the Joint Base Pearl Harbour Hickam, and \$629,295 in general funds and \$967,083 in federal funds to support the Hawaii Army National Guard at Kalaeloa.

Your Committee recognizes the need to identify and mitigate situations that may be regarded as hazardous to the health and safety of the public, including rock fall mitigation and has provided \$1,000,000 in general funds for this purpose.

Finally, to support the Hawaii National Guard Youth Challenge Academy, which provides at-risk youth with life-transforming



experiences through training under military-like conditions, your Committee has provided \$104,000 in general funds to the Youth Challenge Academy on the island of Hawaii.

Department of Human Services

The Department of Human Services has far-reaching responsibilities regarding the welfare of Hawaii's citizens and has appropriated funds to allow the public access to more timely, efficient, and effective programs.

Your Committee has appropriated \$2,641,996 in general funds to increase general assistance monthly payments to allow temporarily disabled citizens greater self-sufficiency. An additional \$1,500,000 in general funds has been appropriated for the Housing First Program to continue housing the most vulnerable and chronically homeless and to connect them with intensive support services. Your Committee has also added \$3,500,000 in general funds for Child Care Connection Hawaii and First-to-Work child care subsidy programs to reduce out-of-pocket expenses for parents who are attending school or working.

Department of Education

To comply with federal standards regarding school and educator accountability for the 2013-2014 school year, the Department of Education leveraged Race to the Top funds to launch the Strive HI Initiative, which includes programs that provide professional development to teachers and evaluate educator effectiveness.

Your Committee has allocated \$4,658,380 in general funds to support this initiative, including:

- \$1,105,208 for teacher mentoring and professional development;
- \$1,925,472 to support the lowest performing 15 percent of schools;
- \$1,327,700 to evaluate teacher effectiveness and school performance; and
- \$300,000 to facilitate the assignment of salary increases based on teaching effectiveness.

Your Committee commends the Department for providing continuing support to educators, developing a comprehensive metric



to evaluate educators and schools, and on using the scores it produces to reward effective teachers. Your Committee looks forward to collaborating with the Department on further improving the metric in order to foster continued professional growth for teachers. However, the Department should show restraint in expending federal grants to launch new programs that require continuous funding because these programs will be at risk if additional federal funds are not leveraged.

Act 51, SLH 2004 decentralized decision-making power in the Department and assigned greater authority, responsibility, and support to principals, especially with regard to budgeting. The role of the Board of Education is to set standards for school and student achievement, while principals have the authority to design a strategy and spend Weighted Student Formula (WSF) funds to meet those standards. The Board does not have the authority to decide how WSF funds are to be spent in schools. Your Committee is concerned that the Board is employing a policy of mandating requirements of schools without providing adequate additional funds. This essentially forces principals to expend WSF funds on specific items. For example, the Board and the DOE recently mandated that all schools purchase a standard set of educational materials to comply with the Common Core Curriculum without allocating additional funding to schools for this purpose; rather, requiring schools to use WSF funds for the new textbooks.

Similarly, the Board and the DOE recently mandated that all elementary schools attain Western Association of Schools and Colleges (WASC) accreditation and the Department requested funds for some of the costs associated with statewide WASC accreditation. Your Committee has found that some principals already utilize WSF funds to attain WASC accreditation. We want to continue to encourage principals to determine what is required for student achievement. Therefore, your Committee has rejected the Department's request of \$482,000 for WASC funding, and instead added that same amount to the WSF funding to continue to direct more decision-making power to the individual schools. Adding the total of \$14,482,086 to the base funding of WSF will provide all principals—and those of small schools in particular—the flexibility to implement strategies to meet the requirements established by the Strive HI Initiative and the standards set by the Board.

The changing age requirement for kindergarten enrollment results in an estimated 5,100 four year olds who will not have access to an early learning program for the 2014-2015 school year.



The Office of the Governor requested funding to provide early learning programs through the Department of Education. Your Committee determined that the pre-kindergarten program is more appropriately managed by the Department and has allocated \$3,000,000 for this purpose.

Public Libraries

The Hawaii State Public Library System provides valuable educational resources to the citizens of Hawaii. Due to budget restrictions, public libraries have had to cut back on many services. In recognition of the vital role public libraries play in their communities, your Committee has appropriated general funds to support the following functions:

- \$300,000 for extended public service hours in eight neighbor island libraries;
- \$200,000 for extended security service hours in five neighbor island libraries and three Oahu libraries; and
- \$785,000 to address rising postage and utility costs.

Charter Schools

Your Committee has allocated \$2,140,884 in general funds to the Public Charter School Commission for per-pupil funding based on a projected enrollment of 10,940 students in FY 2014-2015. Your Committee recognizes the work of the Commission and wants to show our commitment toward the Charter Schools, which constitute an important component within our education system. As such, your Committee has increased the Public Charter School Commission's funding by allocating \$205,000 in general funds for administrative expenses of the Commission.

Department of Hawaiian Homelands

Your Committee intends to provide general funds to the Department of Hawaiian Homelands to support its administrative and operating costs, including \$5,070,579 for 93 positions; and \$5,128,629 for the Department's operating expenses.

Your Committee commends the Land Management Division on generating revenues for use by the Department to further its core objectives. As this division is responsible for generating special fund revenue, its expenses are most appropriately funded with those revenues. Therefore, your Committee has provided \$2,509,904



in special funds for salary, fringe benefits, and operating expenses associated with the 20 positions in this division.

Department of Health

The Department of Health, which provides federally mandated services to populations with disabilities, has experienced a shortfall due to an increased number of clients. To address these needs, your Committee has appropriated \$1,537,888 in general funds for the Developmental Disability Division, to provide care to developmentally handicapped individuals; and \$1,432,495 for the Children with Special Health Needs Branch, to provide early intervention services to young children.

The State Laboratories Division is responsible for conducting laboratory tests related to environmental and food safety regulation as well as the identification of unknown pathogens. However, the accomplishment of these responsibilities has been severely limited by outdated equipment. Your Committee has appropriated \$452,000 in general funds for a gas chromatography mass spectrometer (GC-MS) and a matrix assisted laser desorption/ionization time of flight (MALDITOF). Your Committee hopes that this new equipment will vastly improve the Division's capabilities, including increasing the effectiveness and efficiency of laboratory testing.

Your Committee has faced challenges in communicating with the Department of Health regarding certain supplemental budget requests and the financial needs of its programs. Your Committee notes that direct access to specific programs requesting budgetary adjustment was limited, specifically in terms of the ability for your Committee to directly communicate with program leads. Accordingly, your Committee notes that it lacks some of the information and background needed to justify certain Department funding needs. Going forward, in the interests of government transparency, your Committee suggests that Department budget requests, including requests for new positions, should be identified clearly and in a way that can be justified easily.

Your Committee looks forward to open and honest communication with the Department of Health regarding its programs and operational needs to promote the general health and well-being of Hawaii's citizens—ensuring a healthy environment in which the people can live, work, and play.

Hawaii Health Systems Corporation

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The Hawaii Health Systems Corporation (HHSC) finds that it is faced with funding shortfalls and will regularly require cash infusions of increasing sums. HHSC has continually faced decreasing reimbursement rates for Medicare and Medicaid, items which make up a large portion of HHSC revenues, while also dealing with increasing overall costs for the provision of medical care. To help alleviate some of these problems, your Committee has appropriated \$22,000,000 to address past due accounts payable.

Department of Labor and Industrial Relations

Your Committee's site visits to the Disability Compensation Division revealed the necessity of an update to the process of filing and processing workers' compensation claims. Therefore, \$1,250,000 was allocated for FY 2014-2015 for the purpose of switching to an electronic case management system for workers' compensation processes and responsibilities. This will increase efficiency, reduce paperwork, provide better customer service, facilitate the well-being of the workers involved, and maintain labor-management relations.

Department of Land and Natural Resources

Your Committee commends the Department in performing studies to determine further courses of action regarding our finite resources. Recognizing the effect that climate change may have on the future of the State, your Committee appropriates \$340,000 in special funds to examine the coastline and project where the sea level will likely be in 40 to 50 years.

Planning, logistics, and operations to restore critical habitats for numerous protected species on Kure Atoll in the Papahānaumokuākea Marine National Monument will be supported by \$250,000 in general funds. The demand on the Division of Aquatic Resources to address pending contested surface water-related case hearings as they relate to in-stream flow standards will be met with two new positions and funds for stream protection and management.

Regarding the International Union for Conservation of Nature's (IUCN) 2016 World Conservation Congress, your Committee has agreed to fund \$2,000,000 of the \$11,500,000 needed to host the meeting in Hawaii, which would be the first time the IUCN Congress will be held in the United States. The rest of the funds,



should the IUCN choose Hawaii for the 2016 Congress location, will be raised through other public and private means.

Without positions in the Division of Conservation of Aquatic Resources Enforcement (DOCARE) to enforce the standards adopted by the Legislature, the resources will not be managed according to plan. Your Committee has appropriated \$1,700,000 to enable the department to fill existing vacancies and train and equip the people in these positions. Twelve positions and funds for additional DOCARE enforcement in Maui, Hawaii, and Kauai will help to expand last year's pilot program on Maui. These budget additions will enable the Department to enhance, protect, conserve and manage Hawaii's resources as stewards of a public trust for current and future generations.

Department of Public Safety (PSD)

To support the Department of Public Safety in its mission to maintain public safety through law enforcement and correctional management, your Committee has provided general funds for the following purposes:

- \$1,599,730, in addition to 20 mental health care positions and six adult corrections officers to adhere to nationally accepted health care standards—including mental health care—throughout the Department's facilities statewide. This builds upon the progress to date made by the Department to bring the State into compliance with the Settlement Agreement of 2008 between the United States Department of Justice and the State regarding mental health standards;
- \$592,146 to replace outdated equipment;
- \$148,500 to replace 165 body armor vests;
- \$330,000 to replace aged vehicles and establish a Vehicle Maintenance and Replacement Program; and
- \$130,000 to expand sex offender treatment and assessment services.

Your Committee continues to be concerned with excessive overtime expenditures and reported abuse of leave benefits by employees. Overtime expenditures for FY 2012-2013 amounted to \$7,939,669, which exceeded the budgeted amount of \$1,246,870 by \$6,692,799.

Department of Transportation



Your Committee recognizes that airports provide a vital function to the State and must remain operational at all times as the movement of people to and from our islands is Hawaii's lifeblood. Your Committee supports the Airports Division in its mission, and has funded many of the Airports Division's supplemental budget requests. In particular, \$6,750,000 in special funds is provided to cover increased utility expenses at airports statewide. \$4,000,000 in special funding is provided for runway and taxiway marking rehabilitation to ensure compliance with Federal Aviation Administration regulations.

The Honolulu International Airport is experiencing an increase in international passenger arrivals and its modernization program is in progress. These factors have created an increased demand for Wiki Wiki bus transport at the Honolulu International Airport. Your Committee has provided \$7,359,000 in special funds to the airport to purchase additional Wiki Wiki buses and to pay salaries to additional bus drivers.

For harbors statewide, your Committee has approved \$95,000 in special funds for waterside surveillance camera maintenance and \$717,088 to purchase eight replacement special purpose vehicles. Harbor staff should be commended for maintaining and keeping their equipment operational long beyond their expected lifespan.

Honolulu Harbor is facing challenges complying with stringent Environmental Protection Agency stormwater regulations. To support Harbors' efforts to comply with EPA guidelines, your Committee has appropriated \$3,288,028 in special funds for services, supplies, and six new positions to assist with pollution control, compliance, regulation, planning, and maintenance.

University of Hawaii

The University of Hawaii is a crucial component of Hawaii's public education system but it has struggled in recent years to find an appropriate funding balance for its expenditures in faculty support, educational initiatives, and infrastructure maintenance and repair. Salary increases and restorations have strained the University's tuition and revenue special funds, limited the pursuit of educational initiatives, and contributed to a deferred maintenance backlog. Your Committee recognizes these challenges and has allocated \$33,500,000 in general funds for collective bargaining costs, allowing tuition revenues to be expended on other needs.



Your Committee has appropriated \$14,000,000 in general funds toward restoring University of Hawaii Professional Assembly (UHPA) faculty salaries that were cut in 2009 and 2010. \$19,500,000 in general funds was appropriated to fund 3 percent collective bargaining salary increases for UHPA faculty in FY 2013-2014 and FY 2014-2015. An additional \$6,357,688 in general funds has been appropriated to restore the salaries of Hawaii Government Employees Association and United Public Workers faculty that were furloughed in 2009 and 2010.

As enrollment in the community colleges and UH West Oahu is on the rise, your Committee has allocated general funds to support the University's goal of providing an education that remains consistent in quality despite increased enrollment numbers, including:

- \$1,000,000 in outcome-based funding to provide financial support to community colleges that meet academic performance metrics including the number of degrees awarded, Native Hawaiian graduates, STEM graduates, and Pell Grant recipients.
- \$1,000,000 and 50 permanent faculty positions to support the growth of UH West Oahu with regard to increasing facility maintenance, security coverage, and janitorial and grounds-keeping needs.

Capital Improvement Project Program

Your Committee recommends total appropriations for the 2013-2015 fiscal biennium of \$2,466,396,000 for all means of financing, of which \$787,524,000 is recommended for general obligation and reimbursable general obligation bonds.

The largest areas funded by this budget are:

- \$1,198,112,000 for the Department of Transportation (Airports, Harbors, and Highways);
- \$457,014,000 for the Department of Education;
- \$111,444,000 for the Department of Accounting and General Services; and
- \$135,071,000 for the Department of Human Services.

Your Committee also focused on the Departments of Health; Land and Natural Resources; Business, Economic Development and Tourism; and the University of Hawaii. For many of these



departments, numerous projects needed immediate attention in order to maintain adequate health and safety standards. This is illustrated by approval of the following projects:

- \$60,000,000 to the Hawaii Health Systems Corporation;
- \$3,000,000 to the Hawaii State Public Library System;
- \$13,000,000 for the Aloha Stadium; and
- \$5,953,000 to the Department of Health.

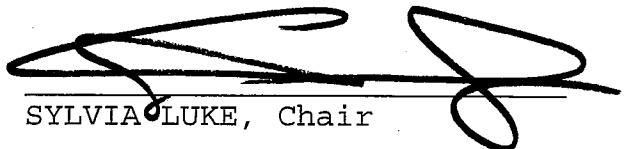
Your Committee has also taken the first step toward creating a consolidated state department facility coordinated by the Department of Accounting and General Services, which will increase departmental efficiency and collaboration and will decrease annual private lease expenses. To achieve this end, planning and design funds in the amount of \$15,000,000 were approved for the Liliha Civic Center.

Your Committee has attempted to address the issue of overcrowding prisons by adding \$5,000,000 to the Department of Public Safety's General Administration lump sum appropriation. This will fund the planning and site selection for the relocation and/or expansion of various facilities to address prison capacity.

Your Committee would like to acknowledge its appreciation for the effort and cooperation put forth by all departments in creating the capital improvement component of the budget.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1700, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1700, H.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Finance,



SYLVIA LUKE, Chair



HSCR 910-14

Bill/Resolution No.: HB1700	Committee Referral: FIN	Date: 03/05/14		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
FIN Members	Ayes	Ayes (WR)	Nays	Excused
1. LUKE, Sylvia (C)	/			
2. NISHIMOTO, Scott Y. (VC)	/			
3. JOHANSON, Aaron Ling (VC)	/			
4. CULLEN, Ty J.K.	/			
5. HASHEM, Mark J.	/			
6. ING, Kaniela	/			
7. JORDAN, Jo	/			
8. KOBAYASHI, Bertrand	/			
9. LOWEN, Nicole E.	/			
10. MORIKAWA, Dee	/			
11. ONISHI, Richard H.K.	/			
12. TAKAYAMA, Gregg	/			
13. TOKIOKA, James Kunane	/			
14. WOODSON, Justin H.	/			
15. YAMASHITA, Kyle T.	/			
16. FUKUMOTO, Beth	/			
17. WARD, Gene	/			
TOTAL (17)	17			
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature: _____				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				